



[Apologies for cross postings.]

February 2009

Dear friends and colleagues:

Organizations like yours are our most important partners in efforts to protect and preserve our environment. Over the past few years, we have collectively defended bedrock environmental policies, forged relationships with unexpected allies, informed and inspired a new generation of activists, and proposed solutions to some of the vexing problems we face. In part because of these efforts, we now have the best opportunity in over a decade to make significant conservation gains. However, we also will need to partner through one of the most challenging situations in recent memory.

Unfortunately, the rapid and significant decline of our economy now presents us all with unprecedented challenges. We know that many of you are closely tracking the situation, but the latest statistics are worth repeating:

- The Dow Jones industrial average fell nearly 34% in 2008, the worst year since 1931 when the country was in the midst of the Great Depression. The Standard & Poor's 500, a broader index of market performance, dropped 45% from its peak in 2007. Investors in the market have lost nearly \$7 trillion in equity.
- The Standard & Poor's Case-Shiller 20-city home price index has fallen a record 18.2% in the past year. Property values in the U.S. have declined by an estimated \$2 trillion, leaving nearly 12 million households owing more on their mortgages than their homes are worth.
- The U.S. lost 2.6 million jobs last year, more than in any year since 1945. In January, the Department of Labor reported that the number of Americans receiving unemployment benefits soared to its highest level since record-keeping started in 1967.

Those of us in the philanthropic sector are now grappling with the consequences of this economic disaster. According to the Council on Foundations, foundations have reported declines in asset values that average 28%. Since foundation grantmaking budgets are often tied to the value of investment portfolios, many decreased giving in 2008 and are decreasing giving further in 2009. Many corporate funders are also facing serious shortfalls resulting in decreased budgets available for charitable investments. Assuming the market doesn't rebound, continued cuts to grant levels are also likely in 2010.

The impacts of this economic climate will be broad and deep, and the specific experiences of funders and the organizations they support will vary markedly.

What does this mean for your organization?

We can't say for certain how many groups will face a significant crisis, but it's an unfortunate fact that some organizations will not survive.

We also know that planning pays off. Recent experience shows us that organizations that act decisively to address and adjust their financial positions are the ones that suffer least. For example, the National Center for Charitable Statistics reports that the 2001 recession led to a decline in real contributions (adjusted for inflation) to environmental organizations that did not fully rebound until 2004. During that time, many organizations trimmed expenses, cut staff, tapped reserve funds, and/or eliminated programs. Some organizations merged.

The current recession, longer and more severe than the last, will cut deeper. Financial statements reviewed last year and early this year already show that some are experiencing dwindling cash reserves, meager unrestricted fund balances, and lower-than-budgeted revenue tallies. Other organizations are submitting organizational budgets that rely on increased giving from individuals and foundations to cover program expenses, anticipated support that may be based more on hope than sound planning.

We know that many organizations have already taken steps to respond to the real or potential impacts of current economic conditions.

This is not a time to be complacent or spontaneous. A plan is essential for every organization, not just those feeling the impacts today. We urge you to question previous assumptions you have made in your 2009 budgets and to undertake rigorous contingency planning.

Besides planning, communication will be an essential step. We recommend that you contact every significant donor upon whose support you depend—individual, corporate, or foundation—to discuss with them their situation and the likelihood of renewed funding and at what level. This helps keep your supporters informed about the steps you are taking and will allow you to make informed and timely decisions based on the information that you gather.

We encourage you to take such steps now to avoid more severe issues later this year. As we all face these issues, we believe we can help each other. Call us if we can help with:

- Thinking through budgeting, staffing, program or other issues. The more we know about your needs, the better able we may be to help you.
- Sorting out projects or programs that make sense in this financial climate compared to what you described in your grant proposals. We can consider changes to the proposed activities if alternatives produce outcomes to which we've agreed.

Our intent is to offer proactive advice without becoming unnecessarily alarmist.

We encourage you to share this letter with your boards. We hope this inspires a robust conversation between the staff and board that helps you plan--and act--to assure the viability of your organization and its mission.

Attached is a list of helpful resources and articles provided by the Foundation Center, whose mission is to strengthen the nonprofit sector by advancing knowledge about U.S. philanthropy.

We also recommend reading *Managing in Hard Times*, available at www.icl.org/toolkits/hard-times.php. This free publication provides best practices and tools for managers of

environmental and conservation nonprofits in challenging economic times. Workbook tools include step-by-step instructions to assess your financial situation, sample contingency budgets, and more. The Environmental Support Center and Institute for Conservation Leadership originally created this resource in 2003 with the generous support of the Beldon Fund, The McKnight Foundation, The George Gund Foundation, and The Moriah Fund. It remains highly relevant to managers today.

We appreciate all of the great programmatic work that you've done through the years. We send this letter because we are your partners and collaborators. Your success is our success. We look forward to hearing what steps you've taken to ensure that your organization is sustainable and effective for many years to come.

Sincerely,

Fred Munson, Executive Director
444S Foundation

Nick Hardigg, Executive Director
Alaska Conservation Foundation

Fred Kiga
Vice President, State & Local Government
Relations and Global Corporate Citizenship
The Boeing Company

Ann Krumboltz, Executive Director
Brainerd Foundation

Denis Hayes, Executive Director
Bullitt Foundation

Lisa Jaguzny, Executive Director
Campion Foundation

Dorene Schiro, Trustee
The Endurance Fund

Kay Treakle, Executive Director
Harder Foundation

Martha Kongsgaard, President
Kongsgaard-Goldman Foundation

Julia Kittross, Executive Director
Laird Norton Family Foundation

Sybil Ackerman, Executive Director
Lazar Foundation

David S Mann, President
Northwest Fund for the Environment

Patty Ryan, Grant Committee Chair
Sustainable Path Foundation

Richard Woo, Executive Director
The Russell Family Foundation

Tim Greyhavens, Executive Director
Wilburforce Foundation

Nonprofits and Economic Downturns

The instability of today's economy and the global financial markets holds many repercussions for the nonprofit sector. Fundraising becomes increasingly challenging as donors can no longer give as generously as in the past. Foundations may be forced to reduce their grantmaking, and leaders may find it progressively more difficult to sustain their organizations through these complex economic times.

This selected reading list contains citations to selected works from the Foundation Center's bibliographic database on the topic of nonprofits and economic downturns. Materials cited are journal articles and reports. For a complete bibliography on this topic, use [Catalog of Nonprofit Literature](#), entering any of the following subject headings in the subject search field box: *Economic conditions, nonprofit organizations—economic aspects, foundations—economic aspects, fundraising—economic aspects*.

Research and Analysis

[Foundations Support Families Hit by Economic Downturn](#). Council on Foundations, 2008. 8 p.

Provides results of a survey that explored how grantmakers have responded to the current economic slowdown.

"Giving During Recessions and Economic Slowdowns". *Giving USA Spotlight* vol. Issue 3 (2008) p. 1-17.

Examines giving patterns during economic downturns and recessions from 1967 to 2007. The analysis explores giving by donor type and by type of recipient organization.

Hall, Holly. "How a Recession Would Affect Fund Raising: Certain Gifts Could Grow." *Chronicle of Philanthropy*, vol. 20 (7 February, 2008): p. 8.

Discusses the potential effects of a recession on direct marketing, special events, foundation and government grants, corporate donations, large gifts, bequests, and other efforts to raise donations.

Lawrence, Steven. [Past Economic Downturns and the Outlook for Foundation Giving](#). New York, NY: Foundation Center, 2008.

Draws upon existing data and research to examine foundation giving trends in prior recessionary periods and times of economic distress.

Voigt, Bradford William. "Resilient Philanthropy: How Various Economic Scenarios Affect Giving in the United States." *Advancing Philanthropy* vol. 15 (September-October 2008) p. 35-8.

A series of statistical charts demonstrates the impact of economic and political crises on charitable giving, finding that changes in giving are not directly correlated to changes in the stock market, and that philanthropy remains surprisingly strong during times of economic strife.

Recommendations for Nonprofits

[As the Nonprofit Sector Faces Recession, Nonprofit Finance Fund Outlines 5 Recommendations to Prepare for Economic Downturn](#). Nonprofit Finance Fund, 2008

The Nonprofit Finance Fund analyzed the impact of the 2001 economic downturn on 6,500 mid-sized organizations and provides advice for organizations based on the research findings.

Collins, Mary Ellen. "Enjoy the Ride! How to Effectively Raise Funds in a Roller-Coaster Economy." *Advancing Philanthropy* vol. 15 (January-February 2008) p. 26-30.

The article provides basic fundraising advice that can be especially useful during uncertain economic conditions.

Fernandez, Kim. "Turning to a New View." *Associations Now*, vol. 4 (July 2008) p. 44-8.

Offers guidance on what an association can do to help its members navigate an economic downturn. Emphasizes preparation, positive thinking, and the importance of reminding members of the association's value.

"From Funders to Funders: Advice on Giving in Hard Times." *Nonprofit Quarterly* vol. 10 (Summer 2003) p. 44-8.

Three foundation leaders share their ideas about the challenges they face in the economic recession. The article features Emmett Carson, president and CEO of the Minneapolis Foundation, Sandra Mikush, assistant director of the Mary Reynolds Babcock Foundation, and Gary Yates, executive director of the California Wellness Foundation.

Gaberman, Barry D. "Facing the Financial Crisis: 10 Smart Things Your Board Can Do Now." *Board Member* vol. 17 (November-December 2008) p. 8-11.

General advice for board members on navigating a nonprofit through troubled economic times. The article offers ten basic tips, plus several examples of the positive side of economic slowdowns.

Head, George L. "Good and Bad: Sustaining Nonprofits During Economic Downturns." *NonProfit Times* vol. 22 (15 May 2008) p. 17-8.

During challenging economic times, nonprofits can use risk management principles to examine threats and opportunities. The article briefly highlights the risks associated with staff, income, property, and reputation.

Kettner, Linda. "Clarifying Complexity." *Currents* vol. 29 (April 2003) p. 30-5.

Explains how to develop a strong case for support during tough economic times.

King, David H. "What's the Key to Raising Money in a Tough Economy?" *Nonprofit World* vol. 26 (July-August 2008) p. 24-5.

Discusses how a strong board of directors can aid in fundraising during difficult economic conditions. Notes four steps to cultivating a solid board that can help raise and give money.

Klein, Kim. "Raising Money in Uncertain Times." *Grassroots Fundraising Journal* vol. 21 (January-February 2002) p. 4-6.

Klein provides her analysis on the effects fundraisers will see after the September 11 events. She notes that the country was already entering a recession before the terrorist attacks, but that history has shown that individual philanthropy does not alter over the long term significantly after disasters. The picture may be quite different for foundation giving, though, as these entities will see the value of their endowments decrease. She also provides tips for direct mail, special events, and corporate fundraising.

Lewis, Herschell Gordon. "Making the Case: Times are Tough. You Should be Tougher." *NonProfit Times* vol. 22 (15 July 2008) p. 12.

Offers advice on fundraising under adverse economic conditions, with a focus on direct mail solicitations.

Male, Richard I. "How to Prepare Your Nonprofit for an Economic Recession." *Grassroots Fundraising Journal*, vol. 27 (May/June 2008): p. 11-2.

Ten tips for nonprofits on navigating a recession, focusing on fundraising concerns. Emphasizes the importance of strengthening relationships with one's donors.

Young, Dennis R. (ed.) *Wise Decision-Making in Uncertain Times: Using Nonprofit Resources Effectively*. New York, NY: Foundation Center. 2006. xi, 281 p.

A follow-up to Young's 2004 publication "Effective Economic Decision-Making by Nonprofit Organizations," this new volume focuses on the challenges faced in the post-9/11 world. Demands on essential nonprofit services have escalated, while the bursting economic bubble of the 1990s and the government's preoccupation with terrorism has reduced funding. Moving beyond the core principles set out in "Effective Economic Decision-Making"—pricing, compensation, investment, outsourcing, economic options, strategies, and policies—this new guide examines four topical issues: operating decisions, capacity building, foundation decision-making, and the nonprofit/business dynamic.

